

## Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08  
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03  
SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15  
STR-04 CEA-01 PA-01 PRS-01 L-03 H-01 /096 W  
-----241024Z 020154 /20

R 240931Z JAN 77

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 5212

INFO AMEMBASSY BANGKOK

AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

AMEMBASSY LONDON

AMEMBASSY SINGAPORE

AMEMBASSY TOKYO

AMEMBASSY BRUSSELS

CINCPAC

C O N F I D E N T I A L SECTION 1 OF 2 MANILA 1164

CINCPAC FOR POLAD

BRUSSELS FOR EC

E.O. 11652: GDS

TAGS: EGEN, ETRD, EINV, ASEAN, EC, JA, JS, RP

SUBJECT: THIRD ASEAN ECONOMIC MINISTERIAL ENDS IN DISAGREEMENT

REF: MANILA 1064

SUMMARY. THE THIRD ASEAN ECONOMIC MINISTERIAL MEETING IN  
MANILA WENT OVERTIME BUT STILL ENDED IN DISAGREEMENT WITH  
BOTH THE REPORT AND INSTRUMENTS FOR PREFERENTIAL TARIFF  
ARRANGEMENTS INCOMPLETE. THE DRAFT REPORT AND INSTRUMENTS  
WILL BE CIRCULATED TO THE ASEAN CAPITALS FOR COMMENT AND  
CONCURRENCE. THE DISAGREEMENT REFLECTED THE REFUSAL OF  
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INDONESIA AND MALAYSIA TO AGREE TO ANY SPECIFIC PRODUCT FOR  
PREFERENTIAL TREATMENT, AND SINGAPORE FOUND THAT ITS  
DIESEL ENGINE PROJECT WAS FAR FROM ACCEPTABLE TO ANYONE,  
INCLUDING THE PHILIPPINES. END SUMMARY.

1. THE THIRD ASEAN ECONOMIC MINISTERIAL MEETING, ORIGI-  
NALLY SCHEDULED FOR JANUARY 20 TO 21, HAD TO RESORT TO

AN EXTRA EVENING AND A SATURDAY MORNING SESSION ON JANUARY 22 BUT STILL ADJOURNED WITH ITS DRAFT REPORT AND INSTRUMENTS FOR PREFERENTIAL TRADING ARRANGEMENTS INCOMPLETE. THE MEETING SAW INDONESIA AND MALAYSIA LINED UP AGAINST SINGAPORE AND THE PHILIPPINES ON THE QUESTION OF PREFERENTIAL TARIFF TREATMENT, AND INDONESIAN ECONOMIC MINISTER WIDJOJO NITISASTRO AND SINGAPOREAN FINANCE MINISTER HON SUI SEN LEFT ON JANUARY 22 WITHOUT ATTENDING THE SATURDAY SESSION, REPORTEDLY BECAUSE OF OTHER COMMITMENTS AND NOT BECAUSE OF ANY HUFF.

2. THERE WERE HIGH HOPES FOR THE THIRD ECONOMIC MINISTERIAL WHICH FOLLOWED ON THE HEELS OF THE SUCCESSFUL VISIT OF PRIME MINISTER LEE KUAN YEW TO BAGUIO. THE PM LEE LISIT HAD FEATURED AN AGREEMENT BETWEEN THE PHILIPPINES AND SINGAPORE FOR A TEN PERCENT ACROSS-THE-BOARD TARIFF REDUCTION ON THE GOODS OF EACH OTHER, A CONSENSUS ON EXPANDED DIALOGUES WITH DEVELOPED COUNTRIES, AND A CONCLUSION THAT NOW WAS THE TIME TO IMPLEMENT ASEAN ECONOMIC COOPERATION. EARLIER PM LEE HAD VISITED INDONESIA AND REPORTEDLY SECURED SUHARTO'S CONSENT TO PROCEED WITH FASTER IMPLEMENTATION OF THE BALI ACCORDS, INCLUDING PARTICULARLY ASEAN PREFERENTIAL TRADING ARRANGEMENTS.

3. THE PRINCIPAL ISSUE OF THE MEETING COALESCED IMMEDIATELY AFTER HON SUI SEN GAVE HIS PRESENTATION ON THE DIESEL ENGINE PROJECT AND RAISED THE QUESTION OF PREFERENTIAL TREATMENT FOR THE DIESEL ENGINES PRO-  
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DUCED IN SINGAPORE. EVERY OTHER COUNTRY REFUSED TO CONCEDE GIVING UP SMALL DIESEL ENGINES, AND INDONESIA AND MALAYSIA REFUSED TO CONCEDE TARIFF CONCESSIONS AT ALL. THEREAFTER, EACH ITEM OR PRODUCE DISCUSSED WAS SUBJECT TO NEGATIVE REACTIONS OF ONE SORT OR ANOTHER FROM ONE OR MORE OF THE ASEAN COUNTRIES. THE UPSHO WAS, WHILE OSTENSIBLY AGREEING TO PREFERENCES IN PRINCIPLE, NOT ONE COUNTRY WAS PREPARED -- EXCEPT SINGAPORE -- TO CONCEDE ANY ONE PRODUCT. THE PRINCIPLE WAS STATED IN THE DRAFT REPORT THUSLY --  
QTE. AN ASEAN MARGIN OF TARIFF PREFERENCE SHOULD BE ACCORDED TO SELECTED PRODUCTS, THAT IS, ON A PRODUCT-BY-PRODUCT BASIS. END QTE.

4. THE DRAFT REPORT (REVISION FOUR) STATED THAT THE ECONOMIC MINISTERS DISCUSSED AND TOOK NOTE OF THE POLICY ISSUES RAISED BY HON SUI SEN, AGREED THAT THEY SHOULD BE GIVEN "DUE CONSIDERATION" BY THE GROUP OF EXPERTS OF THE COMMITTEE ON INDUSTRY, AND DEFERRED ANY DECISION

ON PREFERENTIAL TREATMENT OF ASEAN INDUSTRIAL PROJECTS

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ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08  
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03  
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STR-04 CEA-01 PA-01 PRS-01 L-03 H-01 /096 W  
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R 240931Z JAN 77

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C O N F I D E N T I A L SECTION 2 OF 2 MANILA 1164

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BRUSSELS FOR EC

PENDING THE RECOMMENDATIONS OF THE EXPERTS GROUP. DRAFT  
REPORT BEING POUCHED EA/EP.

5. ACCORDING TO ONE DELEGATE, THE INDONESIAN AND MALAYSIAN  
DELEGATIONS FLATLY REFUSED TO BUDGE FROM THEIR INSTRUCTIONS  
WHICH WERE TO TAND PAT AGAINST ANY AGREEMENT O ANY PRODUCT FOR  
PREFERENTIAL TREATMENT. AN INDONESIAN DELEGATE REPORTEDLY SAID  
THAT THEY COULD NOT GO HOME IF THEY AGREED TO ANYTHING ON THIS  
ISSUE.

6. ONE OTHER IMPORTANT ISSUE INVOLVED THE RULES OF ORIGIN FOR  
PRODUCTS SUBJECT TO PREFERETIAL TREATMENT.  
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THE MEETING CONFIRMED THE 50 PERCENT MINIMUM LOCAL CONTENT REQUIREMENT EXCEPT THAT IN THE CASE OF INDONESIA, IT AGREED TO THE MINIMUM OF 60 PERCENT FOR CERTAIN CATEGORIES OF MANUFACTURED PRODUCTS. CUMULATIVE RULES OF ORIGIN WERE SET AT 60 PERCENT. THIS TWO-TIER TREATMENT WAS ORIGINALLY SUGGESTED BY THE ASEAN CHAMBERS OF COMMERCE (SANTOS/LEE MEMCON, 11/30/76).

7. THIS DISAPPOINTING RESULT OF THE MEETING WAS REFLECTED IN THE MANILA PRESS REPORTING WHICH WAS SUBDUED AND UNIFORMATIVE EXCEPT FOR THE BULLETIN TODAY WHICH WAS MORE ENTERPRISING. IT REPORTED ON JANUARY 22 MORNING ON THE DEADLOCK WITH THE HEADLINE, "DIAGREEMENTS DELAY END OF ASEAN MINISTERS' MEET." THE BULLETIN TODAY, HOWEVER, MADE UP FOR ITS JOURNALISTIC ENTERPRISE THE NEXT TWO DAYS WITH LONG AND EX CATHEDRAL ARTICLES, REPORTING ON THE JOINT PRESS CONFERENCE WITH WHICH NEDA DIRECTOR GENERAL GERARDO SICAT AND INDUSTRY SECRETARY VICENTE PATERNO, THE TECHNOCRATIC TWINS REPRESENTING THE PHILIPPINES, SOUGHT TO SALVAGE THE PUBLIC IMAGE OF THE ECONOMIC MINISTERIAL. THEIR PRESS STATEMENTS WERE A RE-HASH OF PREVIOUSLY AGREED ASEAN POSITIONS ON PREFERENTIAL TRADING ARRANGEMENTS, THE MARCOS-INSPIRED ASEAN DIALOGUE WITH JAPAN, AND THE 10 PERCENT TARIFF REDUCTION BETWEEN THE PHILIPPINES AND SINGAPORE.

8. THE MEETING REPORTEDLY REACHED AGREEMENT ON A DRAFT REPORT AND DRAFT INSTRUMENTS FOR PREFERENTIAL TRADING ARRANGEMENTS. THE GOP SECRETARIAT (NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY) WAS TO COMPLETE TYPING THE DRAFT WHICH WILL THEN BE CIRCULATED TO THE ASEAN CAPITALS FOR COMMENT AND CONCURRENCE. IF ACCEPTED, THE REPORT AND INSTRUMENTS WOULD BE FORWARDED TO THE MEETING OF ASEAN FOREIGN MINISTERS SCHEDULED FOR FEBRUARY 24 IN KUALA LUMPUR. THERE ARE AS YET NO PLANS TO APPROACH GATT ON THE INSTRUMENTS, AND THE DRAFT REPORT SIMPLY STATES THAT "THERE WAS A NEED FOR ASEAN TO OBTAIN CONFIDENTIAL

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FURTHER INFORMATION ON THE IMPLICATIONS INVOLVED AND THE PROCEDURES TO OBTAIN A WAIVER FROM GATT RULES.

9. COMMENT: AS WE STATED IN REFTEL, PROGRESS IN ASEAN ECONOMIC COOPERATION HAS BEEN SLOW, BUT THE SENSE OF URGENCY -- PERCEIVED MOST BY SINGAPORE -- APPARENTLY HAS DISSIPATED IN THE HEAT OF PRACTICAL NATIONAL ECONOMIC INTERESTS.

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## Message Attributes

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